



31 January 2010

Quarterly Report

Second Quarter

Period Ending 31 December 2009

The Directors of Nex Metals Explorations Ltd. (Nex or the Company) are pleased to report on the company's activities for the December Quarter 2009.

Highlights

Phase 1 - Swift Low Cost Gold Production

- Initial Gold Mineral Resource Estimate of the Phase 1 Orient Well Laterite
- Interim Metallurgical Results – 85% at the 75 day mark, Orient Well Laterite Phase 1 Kookynie Gold Project.
- Nex Appoints Operations Manager for the Kookynie Gold Project.

Phase 2 - Optimisation of previously mined shallow open pits

- Mineral Resource Estimate for Phase 2 of the Kookynie Gold Project
- 17.24Mt @ 1.0g/t for 574,000 Gold Ounces.
- Nex Targets 100,000 ounce p/a gold production from the Kookynie Gold Project

Phase 3 - Development of an Underground Goldmine with Longevity of ore supply

- Diamond drilling beneath the historical Cosmopolitan Goldmine Kookynie intersects Visual Gold

General

- Nex Purchases Additional Leases in the Kookynie Goldfield
- Euro Tenement Sale.

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Phase 1 - Swift Low Cost Gold Production

• Initial Gold Mineral Resource Estimate of Phase 1 Orient Well Laterite Gold Project (OWL) Kookynie Gold Project (100% Nex).

Nex completed initial drilling at the OWL. Hellman and Schoefield (H&S), Resource Consultants of Perth, were commissioned to provide an independent Mineral Resource estimation consistent with Joint Ore Reserve Committee (JORC) of the OWL resource.

The Orient Well Laterite Gold Project is Phase 1 of Nex's 100% owned Kookynie Gold Project.

The results are as follows:

OWL - Resource Estimate - using a lower grade cut off of 0.25g/t Au

| Material Type | Indicated | | | Inferred | | | Total | | |
|---------------|----------------|-------------|---------------|------------------|-------------|---------------|------------------|-------------|---------------|
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Laterite | 665,714 | 0.53 | 11,267 | 1,171,953 | 0.41 | 15,347 | 1,837,666 | 0.45 | 26,614 |
| Total | 665,714 | 0.53 | 11,267 | 1,171,953 | 0.41 | 15,347 | 1,837,666 | 0.45 | 26,614 |

Assumed bulk density values laterite=2.25

Assumed recovery and no supportive QAQC

No top cut of grades

Density of drilling is sporadic and zoned

Assumed geological continuity

Resource category contingent on all of above mentioned points assumed to be of highest industry standards

H&S are competent persons for the resource estimation only, all references to data, data quality and integrity (inclusive but not limited to the above mentioned points) are the competency of Nex Metals Explorations representatives.

H&S have recommended additional drilling to address, QA QC issues, from historical drilling and drilling type, which will significantly increase JORC confidence classification of the resource. The mineralisation has potential for extensions along and across strike and Nex have completed additional, broad spaced drilling, to test these extensions and increase the resources.

An updated H&S resource statement for the OWL should be available by the last week of February 2010.

Nex are fast tracking gold production from its wholly owned Kookynie Gold Project. The recent successful metallurgical test work combined with this H&S resource assessment shows that Phase 1 will be a viable gold mining opportunity that can be exploited very quickly.

The OWL is planned to be treated as a Dump Leach, located on the periphery of the existing Orient Well Waste Dump pictured below. At this stage Nex is planning to treat the ore at the rate of 1.8 Mt per annum.

The scoping study is completed and mining proposals have been lodged with both the Department of Minerals and Petroleum (DMP) and the Department of Environment and Conservation (DEC).

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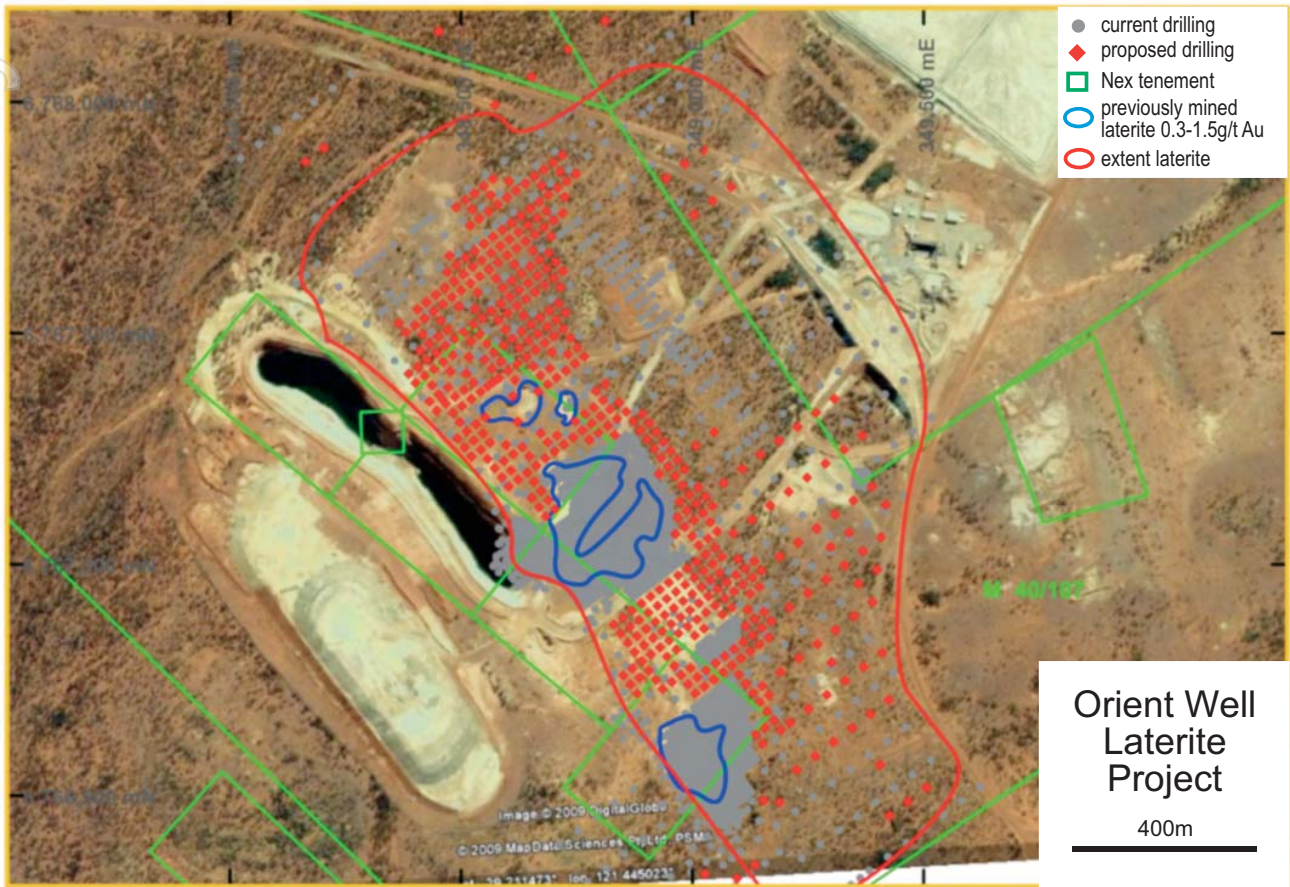
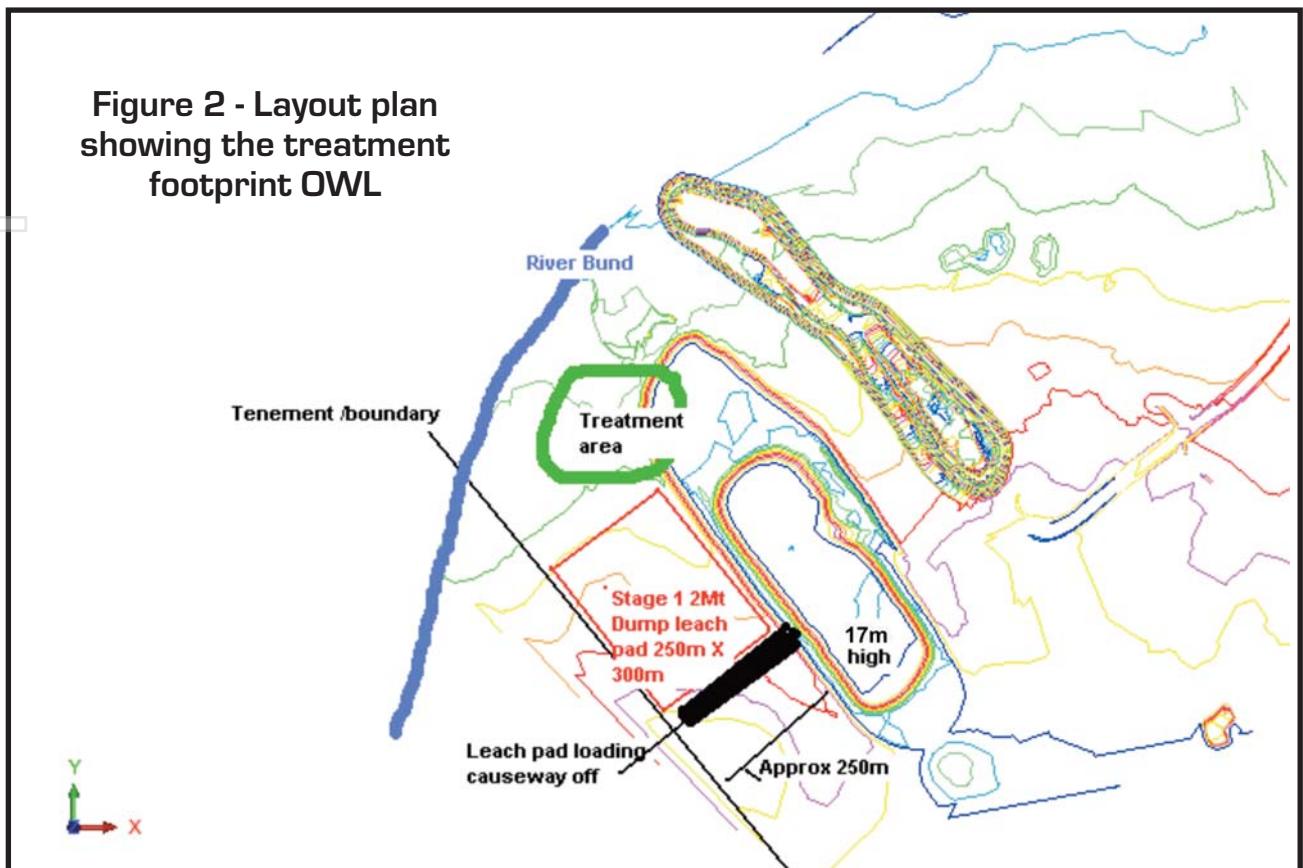


Figure 1 - Layout plan showing the grade control drilling OWL





- Interim Metallurgical Results – Orient Well Laterite Phase 1 - Swift Low Cost Gold Production, OWL Dump Leach.**

Additional metallurgical testing, a follow up to the preliminary column testing, reported to the ASX October 19 - 2009, has provided excellent gold recovery results at the 75 day mark. Gold recovery has reached 85% and the mineral extraction has not plateaued out indicating the probability for even better recoveries of gold ore.

Nex has asked the consultants to extend the trial for an additional 15 days to a total of 90 days. This column test is the best indicator of dump performance as a large parcel of ore has been used in a wide column.

The metallurgical test work was undertaken by an independent metallurgical group based in Kalgoorlie (Amdel).

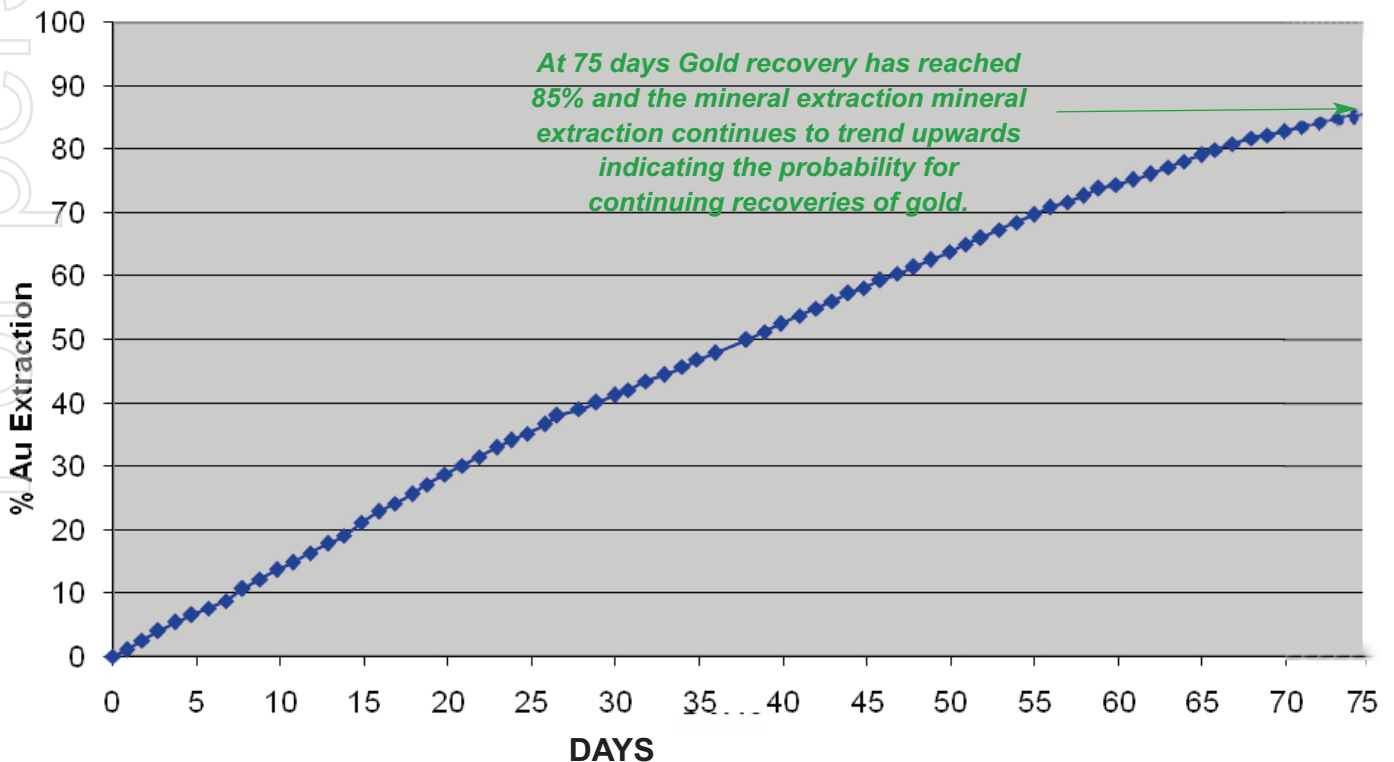
Fluid Flow Rates & Slumpage

The laterite dump leach test samples indicated excellent percolation fluid flow rates of leach solution with an insignificant slumpage.

The ore is a typical "Friable Goldfields Iron Laterite" on the surface with no waste to remove prior to mining the ore stripping ratio which will be, once blasted, very cheap to mine.

The percolation test indicates that normal mining activities will lead to a natural dump slumpage of around 5%. This means the dump can be built higher with, less environmental ground disturbance and lower treatment infrastructure costs.

Graph 1 - Column Leach results from continuing metallurgy test work.





Cyanide Consumption and Base & Transitional Metals

The consumption rate of cyanide averages around 1.2kg per tonne of ore.

The leach solutions are relatively clean of base and transitional metals with only traces of copper & nickel leaching into solution early in the cycle.

The planned lime additions on the leach pads combined with good quality raw water, indicate that leach solutions should have minimal treatments for scaling through the irrigation and processing pipes. Adsorption onto and the subsequent treatment of carbon should be relatively interference free and treatment costs will be at a minimum.

• Nex Appoints Operations Manager, Kookynie Gold Project

With production from Phase 1 of the Kookynie Gold Project imminent (Dump Leach at the OWL) the board are pleased to announce the appointment of Mr Alan Matthysen as Site Operations General Manager.

Mr Matthysen has held similar positions during his career and recently spent 4 years at the Goldfields St Ives Heap Leach Operation as the Heap Leach Superintendent. Alan is well regarded in the Kalgoorlie community and brings with him to Nex a wealth of Heap Leach Gold Treatment and site civil engineering expertise.

He will oversee the commencement of gold production, ensure that all regulatory environmental issues are met and provide valuable input into broader expansion plans for gold production at Nex's 100% owned Kookynie Gold Project.

Phase 2 - Optimisation of previously mined shallow open pits.

• The Mineral Resource Estimate for Phase 2 of the Kookynie Gold Project has increased to 17.24Mt @ 1.0g/t for 574,000 Gold Ounces

Mineral Resource Estimates on an additional 3 prospects in Phase 2 of the Nex's 100% Kookynie Gold Project has been completed by independent consultants Hellman and Schoefield of Perth W.A.

A breakdown of the total resources for Phase 2 of the Nex 3 Phase Plan for Growth are summarised on table 1 below. Note the highlighted resource estimates are those recently completed.

Table 1 - The Nex Phase 2 Mineral Resource Inventory as at 02/12/2009

Resource summary at a 0.5g/t cut-off grade

| Deposit | Indicated | | | Inferred | | | Total | | |
|------------------|--------------|-------------|----------------|-------------|------------|----------------|--------------|------------|----------------|
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 2.61 | 1.22 | 102,000 | 0.83 | 1.0 | 27,000 | 3.44 | 1.2 | 129,000 |
| Butterfly | 1.85 | 1.12 | 67,000 | 0.86 | 1.0 | 27,000 | 2.71 | 1.1 | 94,000 |
| Clarke | 0.68 | 1.18 | 26,000 | 0.13 | 0.9 | 4,000 | 0.81 | 1.1 | 29,000 |
| Red Lake | 0.15 | 1.33 | 6,000 | 0.20 | 1.2 | 8,000 | 0.35 | 1.2 | 14,000 |
| King | 1.48 | 0.80 | 38,000 | 0.15 | 0.7 | 3,000 | 1.63 | 0.8 | 42,000 |
| Danluce | 0.48 | 1.01 | 16,000 | 0.13 | 0.9 | 4,000 | 0.61 | 1.0 | 20,000 |
| Subtotal | 7.25 | 1.09 | 255,000 | 2.30 | 1.0 | 73,000 | 9.55 | 1.1 | 328,000 |
| Orient Well Main | 4.15 | 1.03 | 137,000 | 0.84 | 1.0 | 28,000 | 4.99 | 1.0 | 165,000 |
| Puzzle Extension | 1.93 | 0.93 | 58,000 | 0.76 | 0.9 | 23,000 | 2.70 | 0.9 | 81,000 |
| Total | 13.33 | 1.05 | 450,000 | 3.90 | 1.0 | 124,000 | 17.24 | 1.0 | 574,000 |



Resource summary at a 1.0g/t cut-off grade

| Deposit | Indicated | | | Inferred | | | Total | | |
|------------------|-------------|-------------|----------------|-------------|------------|---------------|-------------|------------|----------------|
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 0.91 | 1.90 | 55,000 | 0.16 | 1.8 | 9,000 | 1.07 | 1.9 | 65,000 |
| Butterfly | 0.61 | 1.81 | 35,000 | 0.24 | 1.5 | 11,000 | 0.85 | 1.7 | 47,000 |
| Clarke | 0.20 | 1.80 | 12,000 | 0.01 | 1.7 | 1,000 | 0.21 | 1.8 | 12,000 |
| Red Lake | 0.06 | 2.12 | 4,000 | 0.07 | 2.0 | 4,000 | 0.13 | 2.1 | 8,000 |
| King | 0.27 | 1.28 | 11,000 | 0.01 | 1.3 | 1,000 | 0.28 | 1.3 | 11,000 |
| Danluce | 0.08 | 1.79 | 5,000 | 0.03 | 1.5 | 1,000 | 0.11 | 1.7 | 6,000 |
| Subtotal | 2.13 | 1.78 | 122,000 | 0.52 | 1.6 | 27,000 | 2.65 | 1.8 | 149,000 |
| Orient Well Main | 1.10 | 1.78 | 63,000 | 0.20 | 1.9 | 12,000 | 1.30 | 1.8 | 75,000 |
| Puzzle Extension | 0.46 | 1.52 | 22,000 | 0.17 | 1.7 | 9,000 | 0.63 | 1.6 | 32,000 |
| Total | 3.69 | 1.75 | 207,000 | 0.89 | 1.7 | 48,000 | 4.58 | 1.7 | 256,000 |

Resource summary at a 1.5g/t cut-off grade

| Deposit | Indicated | | | Inferred | | | Total | | |
|------------------|-------------|-------------|---------------|-------------|------------|---------------|-------------|------------|----------------|
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 0.36 | 2.50 | 29,000 | 0.05 | 2.6 | 4,000 | 0.41 | 2.5 | 33,000 |
| Butterfly | 0.21 | 2.58 | 18,000 | 0.06 | 2.1 | 4,000 | 0.27 | 2.5 | 21,000 |
| Clarke | 0.08 | 2.40 | 6,000 | - | 0.0 | - | 0.08 | 2.4 | 6,000 |
| Red Lake | 0.03 | 2.84 | 2,000 | 0.03 | 2.8 | 3,000 | 0.06 | 2.8 | 5,000 |
| King | 0.02 | 1.72 | 1,000 | - | 0.0 | - | 0.02 | 1.7 | 1,000 |
| Danluce | 0.01 | 2.70 | 1,000 | - | 0.0 | - | 0.01 | 2.7 | 1,000 |
| Subtotal | 0.71 | 2.49 | 57,000 | 0.14 | 2.5 | 11,000 | 0.85 | 2.5 | 67,000 |
| Orient Well Main | 0.42 | 2.50 | 33,000 | 0.08 | 2.9 | 7,000 | 0.49 | 2.6 | 40,000 |
| Puzzle Extension | 0.12 | 2.16 | 8,000 | 0.05 | 2.5 | 4,000 | 0.17 | 2.3 | 13,000 |
| Total | 1.25 | 2.44 | 98,000 | 0.27 | 2.6 | 22,000 | 1.51 | 2.5 | 120,000 |

Numbers in this table may not sum due to rounding errors

Significant figures or decimal points do not imply an added level of accuracy

Evaluation of additional prospects in Phase 2 should be completed during January. Nex will then be able to provide a total resource picture for Phase 2 of the Kookynie Gold Project.

• **Nex Targets 100,000 ounce p/a gold production Kookynie Gold Project**

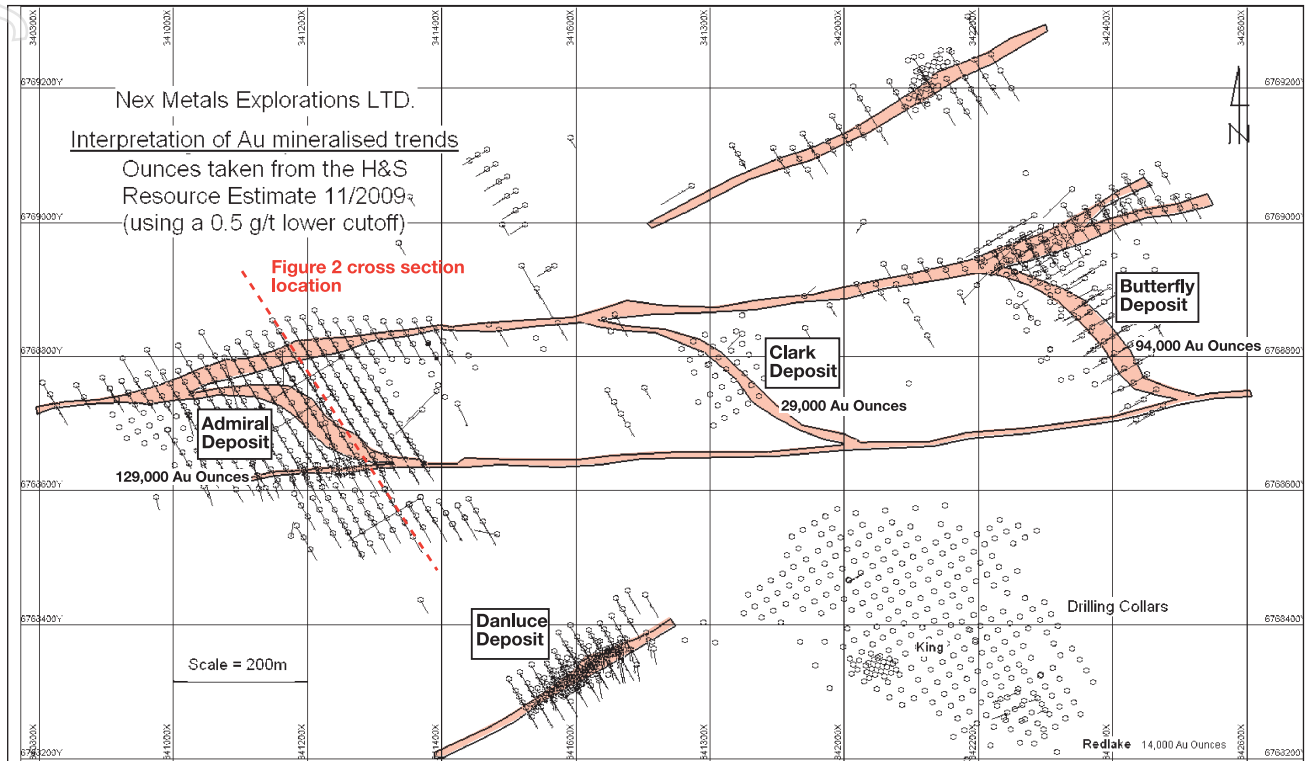
As a consequence of the recent JORC Resource Estimate for Phase 2, part of the Nex 3 Phase Plan for Growth (refer above), the directors of Nex have devised a plan whereby gold production can be aggressively and inexpensively expanded to 100,000 ounces of gold per annum.

The Phase 1, Orient Well Dump Leach Swift Lowcost Gold Production which will pour approximately 15,000 ounces gold per annum starting from the 2nd quarter 2010, awaits DMP and DEC approval prior to commissioning early 2010.

The plan to produce 100,000 ounces of gold per annum is now on the drawing board.



Figure 3 - Plan of Admiral - Butterfly drilling, note the undrilled areas.



This will require successful completion of a detailed scoping study, however once completed, the Nex plan ensures the company can move swiftly and cheaply into the ranks of a mid tier gold producer with costs at the lower end of the production scale.

Nex believe there is potential to increase these resources along strike and down dip. The existing resources have been drilled by close spaced (20m X 20m) reverse circulation (RC) drilling and the resources are from the surface to 120metres depth as a series of horizontally stacked lodes.

The Admiral Butterfly area is located in the north West of the Kookynie Gold Project approximately 200 km north of Kalgoorlie and 50 km south of Leonora on the bitumised Goldfields Highway. (Refer the diagram overpage)

The plan to expand gold production to 100,000 ounces per annum

- Mine 2.25 million tonnes of ore per annum from the Admiral Butterfly area. The tonnage is comprised of 2.0 Mt of lower grade 0.86 which will go on to a heap leach and 250,000 tonnes @ 3.0 g/t (expected) which will go into a 500,000 tonne per annum CIP / CIL gold treatment plant.
- Mine 2.25 million tonnes of ore per annum from the Orient Well area. The tonnage is comprised of 2.0Mt of lower grade 0.86 which will go on to a heap leach and 250,000 tonnes @ 3.0 g/t (expected) which will go into a 500,000 tonne per annum CIP / CIL gold treatment plant.

Calculations

A basic assumption is how much of the resource is going to be economical to mine. Independent consultants have been commissioned to calculate this, however Nex will require a minimum 2 year mine life as an initial go ahead point for this project, therefore we use 9 MT @ 1.1g/t.

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A ratio proportion exercise $9\text{Mt} @ 1.1 = 8\text{Mt} @ 0.86 \text{ (HL)} + 1\text{Mt} @ 3.0\text{g/t (CIL)}$

An estimate of gold yield potential is as follows;

Heap Leach (HL) per annum

4,000,000 tonnes @ 0.86 g/t with 58% recovery = 64,000 ounces of gold

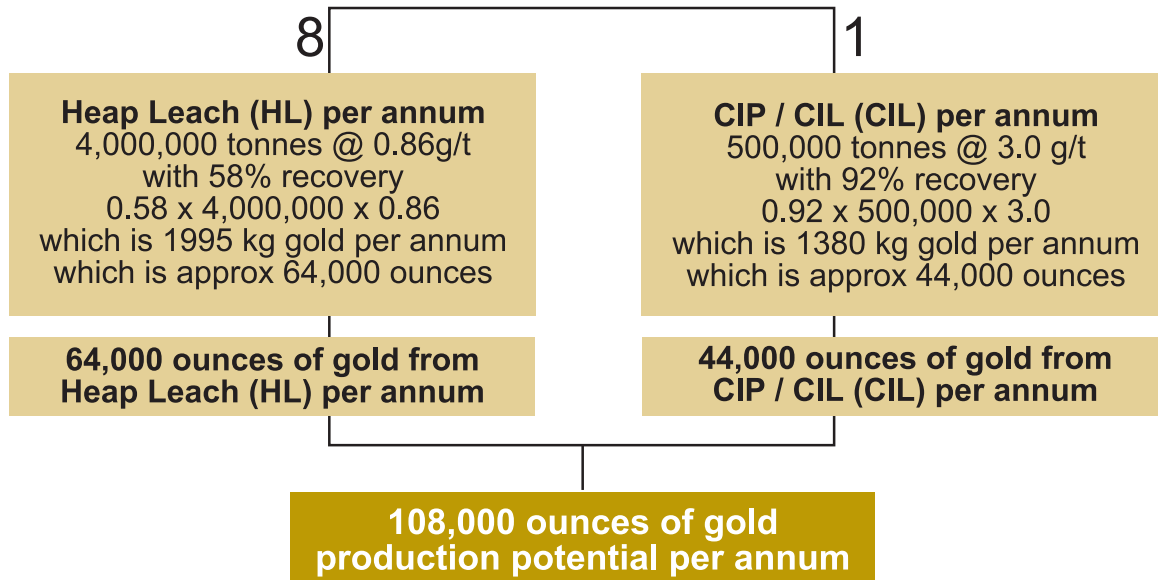
CIP / CIL (CIL) per annum

500,000 tonnes @ 3.0 g/t with 92% recovery = 44,000

Total = 108,000 ounces of gold production potential.

Conceptual minimum reserve for 2 years mine life:
9 MT @ 1.1g/t.

SCENARIO ONE: A ratio proportion for this exercise:
 $2 \text{ years } 9\text{Mt} @ 1.1 = 8\text{Mt} @ 0.86 \text{ (HL)} + 1\text{Mt} @ 3.0\text{g/t (CIL)}$



Salient Points

- Existing Additional Phase 2 prospects not included, to be evaluated
- Potential for extension to resources reported to the ASX
- Initial Preliminary Metallurgical Test Work Positive for Heap Leach
- Historical gold produced in the Kookynie district is free milling.
- An abundance of quality raw water.
- Significant infrastructure already in place.
- Central location easy access.

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- **Existing Additional Prospects to be evaluated**

The recent Resource Estimate for Phase 2 has a calculated 12.3Mt at 1.1 g/t for 432,000 ounces of gold from surface to a maximum depth of 120 metres. In addition to the quoted Resource Estimates are a host of smaller resources, Danluce, King, The Hanging Wall Lode and the East Lode. All are drilled with RC, some are close spaced to 20m X 20m. These resources will also be included when a comprehensive optimisation is completed.

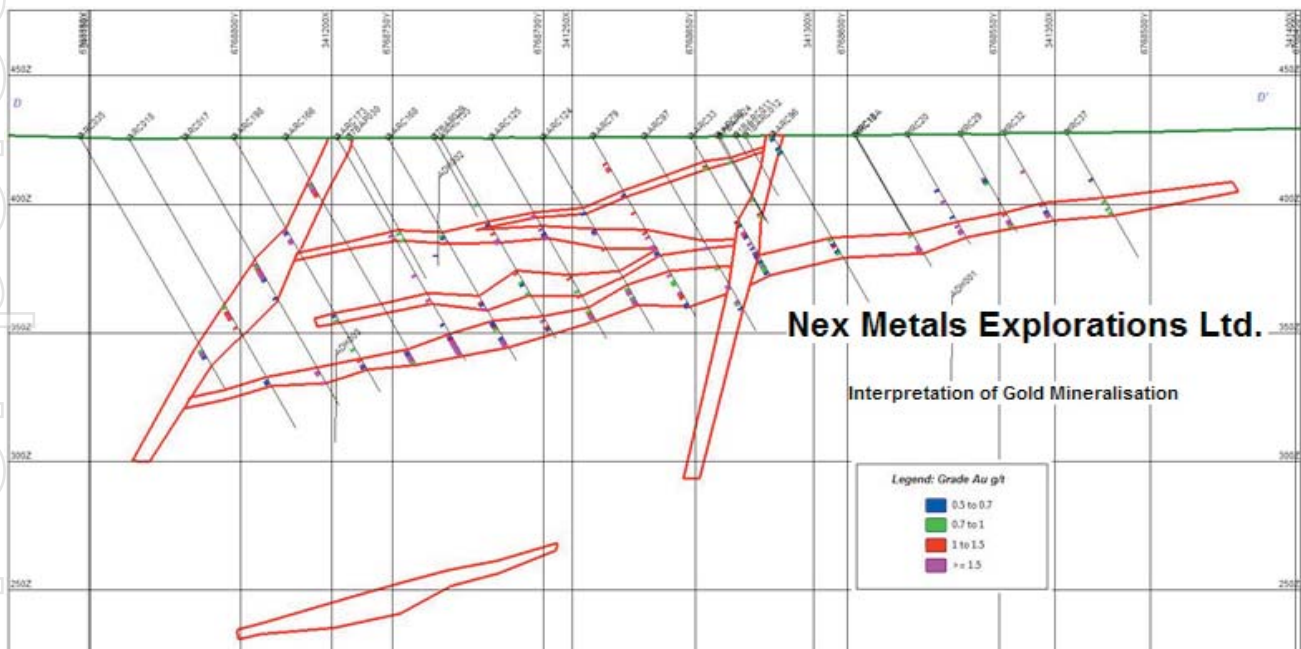
- **Potential for extension to resources reported to the ASX**

The resource estimate is based on existing close spaced RC drilling (20 X 20 refer figure 1). The mineralisation occurs as flat dipping $\leq 30^\circ$ lodes in a rhombahedral ladder arrangement.

Horizontal lode repetitions are noted and appear to occur within approximately 30 to 40 vertical metres intervals. They are bounded by peripheral sub vertical mineralised faults (refer figures 1&2). This means increasing depth could have less of a negative impact on stripping ratios and economics. The gold mineralisation is open along strike, within the Nex tenements and down dip (refer figures 1&2).

The Kookynie dataset is comprised of roughly 17,000 drillholes with only 120 of these drilled deeper than 100 metres beneath the natural surface.

**Figure 4 - Cross section on the eastern periphery of the Admiral prospect.
Note the close spaced yet quite shallow drilling.**





- **Initial Metallurgical Test Work Positive for Heap Leach**

Preliminary metallurgical test work, reported to the ASX July 2009, indicated the mineralised rocks displayed excellent leach characteristics. The results of these 2 tests is 58% and >68% recoveries on 2.4 g/t gold rich rock. The reason for the excellent metallurgical recoveries is the geology and how the gold mineral was deposited.

The geology consists of E-W trending Dolerite dykes in Archaean volcanic rock (refer figure 5). The Dolerite, very similar in chemistry to the Kalgoorlie Dolerites, display brittle deformation whereby the volcanic has a more ductile deformation.

In simple terms when the late stage structures with gold fluids came smashing through the rocks, the harder Dolerites were fractured and opened, like brittle glass, depositing quartz and minerals (gold) in the fracture spaces. The same structures passed through the softer Volcanic rock which smeared and sheared, more like a plasticine, depositing lower grade gold mineralisation.

- **Historical gold produced in the Kookynie district is free milling**

All metallurgical test work to date has confirmed that the Admiral Butterfly and Orient Well gold is free milling.

- **An abundance of quality raw water**

In addition to an established bore field which previously supplied the Orient Well mill @ 1.2Mt p/a there is a large source of almost potable (9,000 tds, 8.7ph) water remaining in the bottom of the current open pits.

- **Significant infrastructure already in place**

Much of the required infrastructure is already in place. This will significantly reduce start up capital requirements.

The Kookynie Gold Project currently has;

1. a 35 man camp, on a site which previously hosted a 120 man camp
2. established network of haul roads in excellent condition
3. an operational borefield with all plumbing
4. office facilities with telephone and internet

- **Central location easy access**

The project is located in the Menzies Shire approximately 200km north of Kalgoorlie on the bitumised goldfields highway. The Phase 2 areas are located within 9km to the east of the highway on an all weather access.

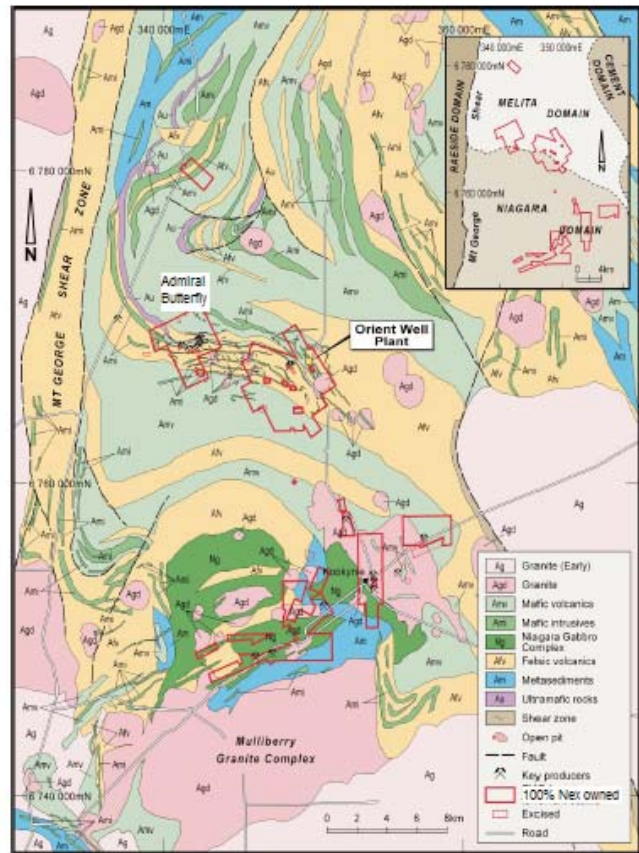


Figure 5 - Location and geology of the Phase 2 Orient Well and Admiral Butterfly.

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Action Plan (Milestones)

- Complete the current Phase 2 resource inventory to JORC standard
- Complete H&S proposed drilling (9 RC holes) to provide required QA QC on historical drilling dataset for increased JORC confidence in the existing JORC Resource Estimate.
- Raise funds to fund and fast track the scoping study.
- Develop detailed costings for use in open pit optimisation study.
- Run a detailed open pit optimisation study on the existing resources.
- Diamond drilling to provide data for metallurgical studies of ore.
- Develop a fully costed detailed mining and treatment plan accounting for all contingencies.
- Raise substantial capital to fund the construction of expanded facilities and the mining development.

The board of Nex believe this ambitious, aggressive and realistic approach to exploitation of an underrated asset will provide long term dividends to Nex shareholders. The company will keep shareholders apprised during every step of this journey as the plan evolves and milestones are achieved.

Phase 2 - Development of an Underground Goldmine with Longevity of ore supply.

- **Diamond drilling beneath the historical Cosmopolitan Goldmine Kookynie intersects Visual Gold**

Phase 3 diamond drilling beneath the historical Cosmopolitan Goldmine Kookynie has intersected visible gold.

The Cosmopolitan Goldmine produced approximately 320,000 ounces of gold at an average grade of 16g/t prior to 1912 and, with the onset of "the great war" production declined and the mine was closed.

Nex is the first company to drill beneath the historical workings. The diamond drilling program was started in September 2009.

The visible gold was intersected at 340 metres depth in the third and deepest of the 3 diamond drill holes completed to date. The hole was programmed and achieved an intersection on the lode approximately 75 metres south of the periphery of the historical workings.

The diamond drill hole intersected one metre of mylonitised quartz veined intermediate volcanic sediments followed by 3 metres of quartz reef.

The core is being lithologically and structurally logged then it will be cut and assayed.

Drilling is planned to intersect targets both above and below this strongly mineralised intercept. Assay results for this and other intersections should become available in approximately 2 to 3 weeks.

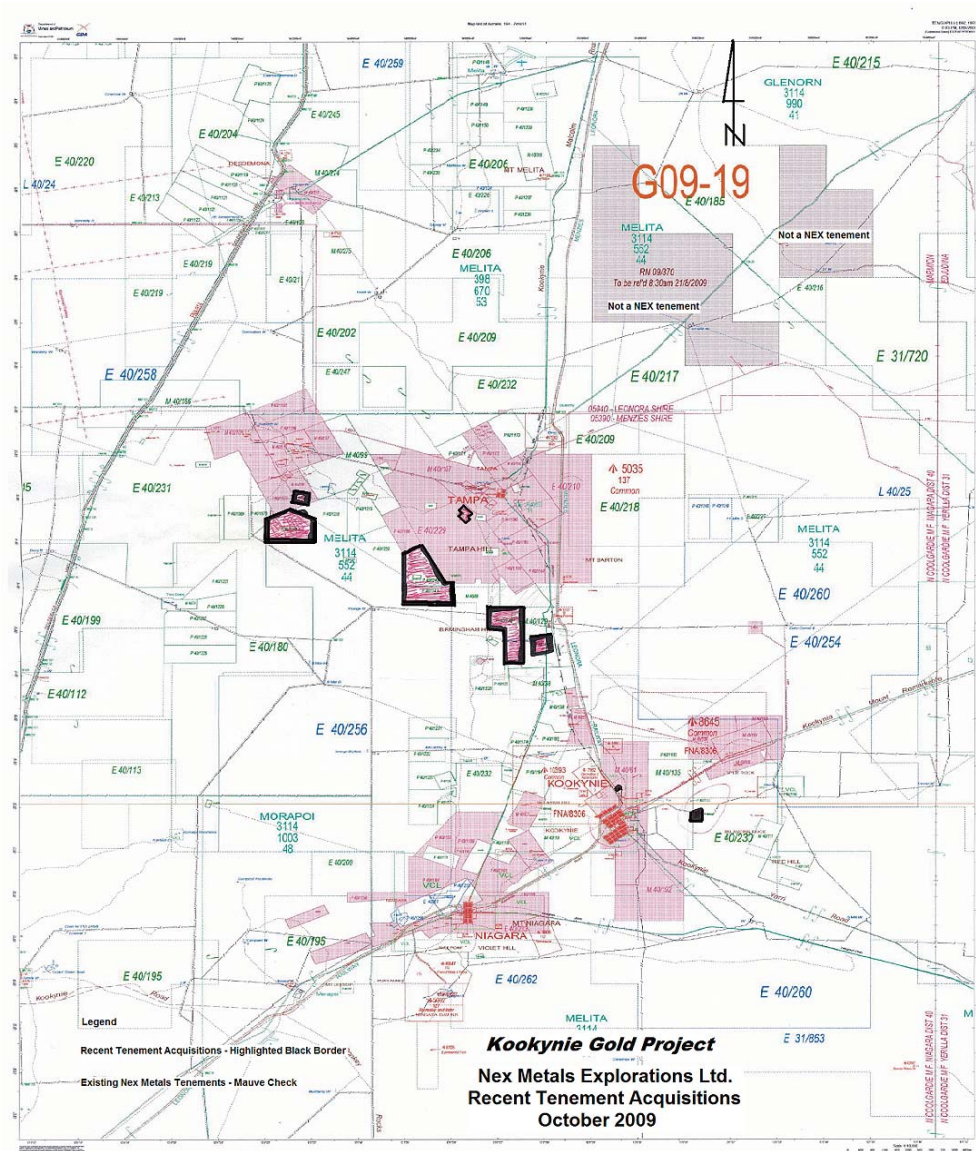


General.

• Nex Purchases Additional Leases in the Kookynie Goldfield

Nex has purchased an additional 4 Mining Leases and 8 Prospecting Leases in the Kookynie Goldfield.

Figure 6 - Location Diagram Showing Leases Purchases October 2009.



The tenements were purchased from private holders Mcpherson and Wiltshire, (details appended) and are largely contiguous with existing Nex leases.

Details of the Leases Purchased

| | |
|-----------------------------|-----------------------------|
| Mining Lease 40/94 | Mining Lease 40/2 |
| Mining Lease 40/331 | Mining Lease 40/332 |
| Prospecting Licence 40/1128 | Prospecting Licence 40/1130 |
| Prospecting Licence 40/1131 | Prospecting Licence 40/1132 |
| Prospecting Licence 40/1146 | Prospecting Licence 40/1242 |
| Prospecting Licence 40/1243 | Prospecting Licence 40/1246 |



Most of the tenements in the package have historical production and, although only small in scale the grade was sometimes a bonanza, refer Homeward Bound 205 tonnes treated for 674 ounces produced.

Table 2 - Historical Production from newly acquired leases

| Lease Name | Tons Produced | Ounces Produced | Average Grade Au g/t |
|-------------------|----------------------|------------------------|-----------------------------|
| Britannia | 15,951 | 13,839 | 26.9 |
| Homeward Bound | 205 | 674 | 102.25 |
| Star | 147 | 60 | 12.69 |
| Eldorado | 110 | 105 | 29.68 |
| Pride of Kookynie | 18 | 12 | 20.73 |
| Birmingham | 25 | 9 | 11.19 |
| Pearly Button | 314 | 86 | 8.51 |

• **Euro Tenement Sale**

The Euro Project, a Nex tenement package consisting of 6 non contiguous prospecting leases, has been sold to Crescent Gold for the consideration of \$120,000. This is the latest step in the process of rationalising the tenement package which started with the onset of Global Financial Crisis.

Nex is focused on developing the Kookynie and Yundamindera Gold Projects to a producing status ASAP and as such will continue to rationalise its non-core assets.

Nex Metals Explorations Ltd

Yours sincerely

Tom Percy GC
Chairman

For Further details please contact

Mr Ken Allen
Managing Director, 0448447472

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Technical Director, 0448966377

Responsibility Statement

The information in this report which relates to exploration results, quality of data, geological interpretations, reasonable expectation of potential viability of quoted gold resources, comments on metallurgy and marketing and appropriateness of cut-off grades, and Nex's comments on the H&S estimates is based on information compiled by Edd Prumm who is the Technical Director and Exploration Manager of the Company and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Prumm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Prumm consents to the reporting of this information in the form and context in which it appears.

Note: Use of decimal points does not imply an increased level of precision.

Information in this report that relates to mineral resource estimation reflects information compiled by Mr Robert Spiers. Resource estimation was undertaken by Mr Spiers who is a full time employees of Hellman and Schofield Pty Ltd. Mr Spiers is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Spiers consents to the reporting of this information in the form and context in which it appears.